

Missouri Housing Trust Fund

Accountants' Reports and Financial Statements

June 30, 2008 and 2007



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Missouri Housing Trust Fund

June 30, 2008 and 2007

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Independent Accountants' Report

The Commissioners
Missouri Housing Trust Fund
Kansas City, Missouri

We have audited the accompanying balance sheet of the Missouri Housing Trust Fund as of June 30, 2008, and the related statements of revenues, expenses and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of Missouri Housing Trust Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Missouri Housing Trust Fund as of and for the year ended June 30, 2007, were audited by other accountants whose report dated September 17, 2007, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in *Note 1*, the financial statements present only the Missouri Housing Trust Fund. These statements do not purport to, and do not present the financial position of the Missouri Housing Development Commission as of June 30, 2008 or 2007 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the 2008 financial statements referred to above present fairly, in all material respects, the financial position of the Missouri Housing Trust Fund as of June 30, 2008, and the changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

BKD, LLP

September 26, 2008

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Missouri Housing Trust Fund

Management's Discussion and Analysis

Years Ended June 30, 2008 and 2007

Our discussion and analysis of Missouri Housing Trust Fund's (the Trust Fund) financial performance provides an overview of the Trust Fund's financial activities for the fiscal years ended June 30, 2008 and 2007. Please read it in conjunction with the Trust Fund's financial statements and accompanying notes.

Introduction — Missouri Housing Trust Fund

The Missouri Housing Trust Fund was created by the Missouri State Legislature in 1994 to help meet the housing needs of very low income Missourians. The Missouri Housing Development Commission administers the Trust Fund, which provides for a variety of housing needs, such as emergency home repair, emergency rent, mortgage or utility payments, acquisition, rehabilitation or new construction of transitional housing, and related services for very low income families and seniors.

Overview of the Financial Statements

This annual financial report consists of Management's Discussion and Analysis and the financial statements, including notes to the financial statements. The Trust Fund maintains its financial records on the accrual basis of accounting.

2008 Financial Highlights

- Total assets were \$6.3 million at June 30, 2008, an increase of 13.9% from 2007.
- Net assets increased 14.1% as of June 30, 2008.
- Recording fee revenue decreased 6.1% to \$4.8 million in fiscal year 2008.
- Grants totaled \$4.3 million in 2008, a decrease of 18.3% from 2007.

2007 Financial Highlights

- Total assets were \$5.5 million at June 30, 2007, an increase of 3.9% from 2006.
- Net assets increased 2.3% as of June 30, 2007.
- Recording fee revenue increased 1.6% to \$5.1 million in fiscal year 2007.
- Grants totaled \$5.2 million in 2007, a decrease of 10.1% from 2006.

Missouri Housing Trust Fund

Management's Discussion and Analysis

Years Ended June 30, 2008 and 2007

Financial Position

The following table summarizes the Trust Fund's assets, liabilities and net assets as of June 30, 2008, June 30, 2007 and June 30, 2006.

Condensed Financial Information Assets, Liabilities and Net Assets (in thousands)

	June 30,			\$ Change	
	2008	2007	2006	2008 vs 2007	2007 vs 2006
Current Assets					
Investments	\$ 5,350	\$ 4,435	\$ 3,967	\$ 915	\$ 468
Other	700	821	1,054	(121)	(233)
Total current assets	6,050	5,256	5,021	794	235
Noncurrent Assets	254	279	304	(25)	(25)
Total assets	\$ 6,304	\$ 5,535	\$ 5,325	\$ 769	\$ 210
Liabilities	\$ 89	\$ 88	\$ -	\$ 1	\$ 88
Restricted Net Assets	\$ 6,215	\$ 5,447	\$ 5,325	\$ 768	\$ 122

Investments

Investments consist of U.S. government and agency fixed rate securities. The Trust Fund's investment policy emphasizes preservation of principal. At June 30, 2008, the Trust Fund had \$5.4 million in investments compared to \$4.4 million at June 30, 2007, and \$4.0 million at June 30, 2006.

Net Assets

The Trust Fund's net assets are restricted to use as authorized by section 215.034-215.038, RSMo, the Trust Fund enabling legislation.

Missouri Housing Trust Fund

Management's Discussion and Analysis

Years Ended June 30, 2008 and 2007

Operating Activities

The following table summarizes the Trust Fund's revenues, expenses and changes in net assets for fiscal years 2008, 2007 and 2006.

Condensed Financial Information **Revenues, Expenses and Changes in Net Assets (in thousands)**

	2008	2007	2006	\$ Change	
				2008 vs 2007	2007 vs 2006
Revenues					
Recording fees	\$ 4,757	\$ 5,064	\$ 4,984	\$ (307)	\$ 80
Interest income	372	383	260	(11)	123
Total revenues	5,129	5,447	5,244	(318)	203
Expenses					
Grants	4,266	5,224	5,808	(958)	(584)
Administrative expenses	95	101	100	(6)	1
Total expenses	4,361	5,325	5,908	(964)	(583)
Change in Net Assets	<u>\$ 768</u>	<u>\$ 122</u>	<u>\$ (664)</u>	<u>\$ 646</u>	<u>\$ 786</u>

During fiscal year 2008, there was a decrease of 6.1% in recording fee revenue as compared to 2007. For fiscal year 2007, there was an increase of 1.6% in recording fee revenue as compared to 2006. The amounts and timing of grant awards and disbursements resulted in a decrease in grants during fiscal years 2008 and 2007.

Contacting Trust Fund's Financial Management

This financial report is designed to provide stakeholders in the Trust Fund with a general overview of the Trust Fund's finances and to demonstrate accountability of resources. If you have questions about this report or need additional financial information, contact Marilyn Lappin, Director of Finance, Missouri Housing Development Commission, 3435 Broadway, Kansas City, Missouri 64111 or visit our website at www.mhdc.com.

Missouri Housing Trust Fund

Balance Sheets

June 30, 2008 and 2007

(In Thousands)

Assets

	2008	2007
Current Assets		
Cash	\$ 619	\$ 542
U.S. government and agency securities	5,350	4,435
Mortgage loans	25	25
Accrued interest receivable	56	54
Accounts receivable	-	200
Total current assets	6,050	5,256
Noncurrent Assets		
Mortgage loans	254	279
Total assets	\$ 6,304	\$ 5,535

Liabilities and Net Assets

Current Liabilities		
Accounts payable	\$ 89	\$ 88
Net Assets		
Restricted	6,215	5,447
Total liabilities and net assets	\$ 6,304	\$ 5,535

Missouri Housing Trust Fund
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2008 and 2007
(In Thousands)

	2008	2007
Operating Revenues		
Recording fees	\$ 4,757	\$ 5,064
Interest income	<u>372</u>	<u>383</u>
Total operating revenues	<u>5,129</u>	<u>5,447</u>
Operating Expenses		
Trust Fund grants	4,266	5,224
Administrative expenses	<u>95</u>	<u>101</u>
Total operating expenses	<u>4,361</u>	<u>5,325</u>
Increase In Net Assets	768	122
Net Assets, Beginning of Year	<u>5,447</u>	<u>5,325</u>
Net Assets, End of Year	<u><u>\$ 6,215</u></u>	<u><u>\$ 5,447</u></u>

Missouri Housing Trust Fund
Statements of Cash Flows
Years Ended June 30, 2008 and 2007
(In Thousands)

	2008	2007
Cash Flows From Operating Activities		
Interest income on mortgage loans	\$ 3	\$ 3
Principal repayments on mortgage loans	25	24
Recording fee revenue	4,757	5,064
Payments for grants and other items	<u>(4,160)</u>	<u>(5,437)</u>
Net cash provided by (used in) operating activities	<u>625</u>	<u>(346)</u>
Cash Flows From Investing Activities		
Proceeds from sale of investments	8,360	7,999
Purchase of investments	(9,187)	(7,370)
Income received on investments	<u>279</u>	<u>259</u>
Net cash provided by (used in) investing activities	<u>(548)</u>	<u>888</u>
Increase In Cash	77	542
Cash, Beginning of Year	<u>542</u>	<u>-</u>
Cash, End of Year	<u><u>\$ 619</u></u>	<u><u>\$ 542</u></u>
Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Change in net assets	\$ 768	\$ 122
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Income – mortgage investments	(3)	(3)
Income – investments	(281)	(282)
Repayment of principal on mortgage loans	25	24
Interest received on mortgage investments	3	3
Change in fair value of investments	(88)	(98)
Change in assets and liabilities:		
(Increase) decrease in accounts receivable – other	200	(200)
Increase in accounts payable	<u>1</u>	<u>88</u>
Net cash provided by (used in) operating activities	<u><u>\$ 625</u></u>	<u><u>\$ (346)</u></u>

Missouri Housing Trust Fund

Notes to Financial Statements

June 30, 2008 and 2007

Note 1: Nature of Operations and Summary of Significant Accounting Policies

The Missouri Housing Trust Fund (the Trust Fund) is authorized by Section 215.034, RSMo to financially assist, by loans or grants, the development of housing stock and to provide housing assistance to persons and families with incomes at or below specified levels. The Trust Fund is administered by and reported as a fund of the Missouri Housing Development Commission (the Commission), which is the housing finance agency for the state of Missouri.

The following is a summary of the more significant accounting policies of the Trust Fund.

Basis of Accounting

The Trust Fund maintains its financial records on the accrual basis of accounting.

The Trust Fund's financial statements have been prepared on the basis of the Governmental Proprietary Fund concept as set forth in Statement 34 of the Governmental Accounting Standards Board (GASB). The Governmental Proprietary Fund concept is utilized when financial activities are operated similarly to private business enterprises and financed through fees and charges.

The Trust Fund has elected not to apply the pronouncements of the Financial Accounting Standards Board issued after November 30, 1989 as prescribed by GASB Statement No. 20.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Classification of Revenues

Revenues and expenses are typically divided into operating and nonoperating items. Operating revenues generally result from providing services in connection with the Trust Fund's principal ongoing operations. The principal operating revenues of the Trust Fund are derived from recording fees and investment income from loans and investments. Operating expenses consist primarily of grants. All revenues and expenses not meeting these definitions would be reported as nonoperating revenues and expenses. The Trust Fund has no nonoperating activities.

Reclassifications

Certain reclassifications have been made to the 2007 financial statements to conform to the 2008 financial statement presentation. These reclassifications had no effect on net assets.

Missouri Housing Trust Fund

Notes to Financial Statements

June 30, 2008 and 2007

Note 2: Investments

Investments include U.S. government and agency securities and are reported at fair value as determined by the investment custodians utilizing prices quoted by securities dealers or brokers, investment bankers or statistical services on the valuation date.

Investment Policy

The Commission administers the Trust Fund in accordance with Chapter 215 of the Missouri State Statutes. Section 215.034 RSMo directs the State Treasurer to allocate all moneys in the Missouri Housing Trust Fund to the Commission for disbursement and investment as directed by the Statute. Chapter 215 permits the Commission to invest any funds not required for immediate disbursement in obligations of the state of Missouri or of the United States government or any instrumentality thereof, or bank certificates of deposit. At June 30, 2008 and 2007, all of the Trust Fund's investments were in compliance with the state statute.

Investment Types and Maturities

As of June 30, 2008 and 2007, the Trust Fund had the following investments and maturities (amounts are in thousands):

Year	Investment Type	Investment Maturities	
		Fair Value	Less Than 1 Year
2008	U.S. Agencies	\$ 5,350	\$ 5,350
2007	U.S. Agencies	\$ 4,435	\$ 4,435

At June 30, 2008, as reported at fair value the Trust Fund's U.S. Agencies securities consist of \$2,233,000 Fannie Mae, \$1,804,000 Federal Home Loan Bank (FHLB), and \$1,313,000 Federal Home Loan Mortgage Corporation (FHLMC) debt securities.

Credit Risk

The following table (in thousands of dollars) provides information on the credit ratings associated with the Trust Fund's investments in debt securities at June 30, 2008 and 2007:

Year	Investment Type	S&P	Moody's	Fair Value
2008	U.S. Agencies	AAA	Aaa	\$ 5,350
2007	U.S. Agencies	AAA	Aaa	\$ 4,435

Missouri Housing Trust Fund

Notes to Financial Statements

June 30, 2008 and 2007

Concentration of Credit Risk

State Statute places no limit on the amount the Trust Fund may invest in any one permitted issuer. The following table lists investments in issuers that represent 5% or more of total investments at June 30, 2008:

Issuer	Percent of Total Investments	
	2008	2007
Federal Home Loan Bank	34%	40%
Federal Home Loan Mortgage Corporation	24%	11%
Federal National Mortgage Association	42%	49%

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Protection of the Trust Fund's deposits is provided by the Federal Deposit Insurance Corporation and by an irrevocable standby letter of credit issued by the Federal Home Loan Bank of Des Moines. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. In accordance with its policy, the Trust Fund addresses custodial credit risk by pre-qualifying institutions with which the Trust Fund places investments, diversifying its investments portfolio and maintaining a standard of quality for its investments.

Investments in U.S. government and agency securities are carried at fair value. At June 30, 2008, securities approximating \$5,350,000 are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the Trust Fund's name.

Note 3: Revenue from the State of Missouri

In accordance with Section 215.034, RSMo, the state of Missouri distributes to the Trust Fund a \$3 recording fee collected by the Missouri State Recorder's Office for each real estate related document filing.

Note 4: Administrative Expenses

The Trust Fund reimburses the Commission for administrative costs not to exceed 2% of Trust Fund revenues.

Missouri Housing Trust Fund
Notes to Financial Statements
June 30, 2008 and 2007

Note 5: Commitments

At June 30, 2008 and 2007, the Trust Fund has outstanding program commitments of approximately \$4,793,000 and \$3,723,000, respectively. These commitments represent Trust Fund grants that were approved prior to year end for which disbursements will be made in the subsequent fiscal years.